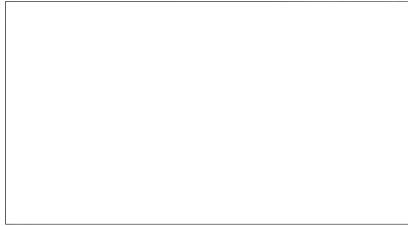


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NATIONAL INTELLIGENCE DAILY CABLE

Wednesday 27 September 1978

CG NIDC 78/226

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National Intelligence Daily Cable for Wednesday, 27 September 1978

The NID Cable is for the purpose of informing senior US officials.

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[Redacted]

ISRAEL: Knesset Debate on Accords

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[Redacted] Although Prime Minister Begin probably will easily win Knesset approval for the agreements he negotiated at Camp David, the margin may not be as large as first expected. There is uneasiness in almost all parties over the implications of the accords; much of the concern is focused on the agreement to dismantle the Sinai settlements. Questions raised during the Knesset debate will probably stiffen Israel's position during subsequent West Bank - Gaza negotiations.

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[Redacted] The decision of the opposition Labor Party to back Begin makes it virtually certain that the Prime Minister will win handily in the Knesset. According to the US Embassy in Tel Aviv, however, restiveness is growing both in the ruling coalition and among opposition parties. Within Begin's Likud bloc, his own Herut faction is divided; many members are troubled by what they see as the Prime Minister's abandonment of deeply held principles. The La'am faction of Likud is also split, and its two cabinet ministers have threatened to vote against the agreements.

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[Redacted] The National Religious Party, a key coalition member with 12 Knesset seats, met yesterday to decide its stance. According to press reports, Minister of Education Zevulun Hammer, a leader of the party's dominant youth wing, has declared that he will vote for the agreement and then resign from the government. Other leaders of the party appear to be leaning toward endorsing the accords.

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[Redacted] The uneasiness in the Knesset stems from concern among some Knesset members and other Israelis:

- That the agreement to dismantle the Sinai settlements could be used as a precedent when the negotiating process turns to the West Bank and Gaza.
- That returning all of the Sinai could set a dangerous precedent for any future negotiations with the Syrians over the Golan Heights.
- That the Sinai agreement violates the long-held Zionist principle that land, once settled, is never abandoned.
- That the provisions in the accords for "full autonomy" for the West Bank and Gaza contain the basis for a Palestinian state.

[Redacted]

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[redacted] Begin appears confident of the Knesset vote but is disturbed by the members' lack of enthusiasm for the accords. He is reportedly planning to impose bloc discipline on coalition members in order to get the largest possible vote. [redacted]

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CHINA-VIETNAM: Talks Deadlocked

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[redacted] The vice-ministerial negotiations in Hanoi were broken off yesterday when the Chinese delegate walked out after declaring that Vietnam had "closed the door to negotiations" and that it was impossible for the talks to go on. The Chinese official called for adjournment until the Vietnamese show a "sincere desire to settle the disputes." Hanoi has rejected Peking's charges and has blamed China for the breakdown.

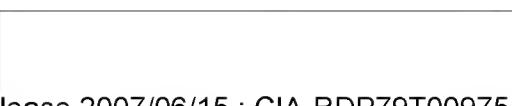
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[redacted] The talks have been deadlocked from the start and have served largely as a forum for propaganda by both sides. China's walkout was probably due in part to a belief that the continuing unproductive exchange of broadsides is hurting its image. In addition, the refugee problem that the talks were to resolve seems to have lost some of its urgency, although it continues to fester.

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[redacted] The walkout may also be part of Peking's efforts to set the stage for Vice Premier Teng Hsiao-ping's tour of Southeast Asian nations in November. The Chinese delegate charged in his final statement that the Vietnamese have been using the question of ethnic Chinese in Vietnam to create problems between China and other Southeast Asian nations, and that Vietnam's tactics serve the needs of Soviet "hegemony" in the region. Teng is likely to echo both of these themes during his trip.

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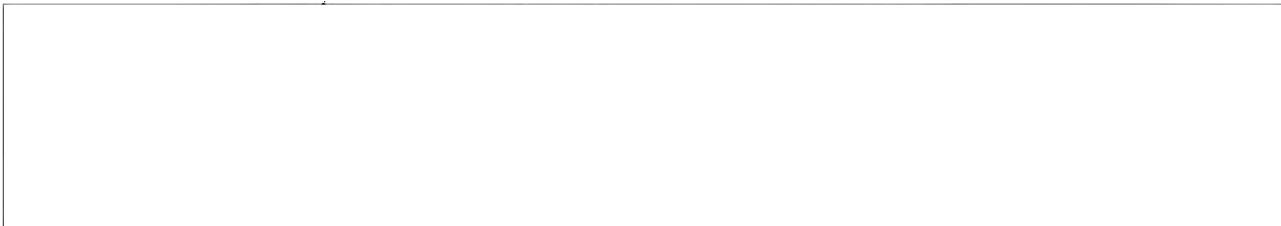
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JAPAN: Supplemental Budget

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[redacted] //Prime Minister Fukuda's supplemental spending plan announced early this month is being billed by Tokyo as the key to meeting Japan's 7-percent growth target for fiscal year 1978, which ends next March. The package includes \$7 billion in new central government outlays and another \$6 billion in nonbudget items such as concessionary housing loans and suggested local government spending. The stimulus, however, is unlikely to boost growth more than 5.5 percent because of a drop in exports and a rise in imports.//

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[redacted] //After a strong showing in the January-March quarter, when the annual growth rate topped 10 percent, Japan's economic performance has slipped. Overtime activity in manufacturing has fallen steadily and new construction orders have dropped. Consumer demand, about 50 percent of GNP, has been growing at a rate of less than 5 percent because of the slow advance in personal incomes. Export growth, the mainstay of the good first-quarter record, has halted as a result of yen appreciation and voluntary export restraints on some key items. Without supplemental spending, Japanese growth apparently would have been only 4.9 percent for the fiscal year.//

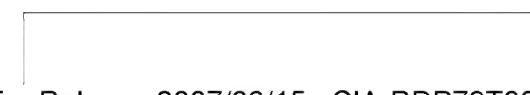
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[redacted] //The main elements of the supplemental package are:

- \$7 billion in central government outlays for roads, sewers, and schools.
- \$4.2 billion in low-interest loans for 73,000 housing units.
- \$1.7 billion in recommended spending by local governments on parks, schools, sewers, and the like.

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[redacted] //Other elements in the announcement that will affect growth are an increase in aid to industries hard hit



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[redacted]

by yen appreciation, loans to depressed industries and vocational retraining programs for displaced workers, and a reduction in consumer utility rates resulting from the drop in yen oil costs.//

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[redacted] //Tokyo publicly asserts that the stimulation package will make possible the 7-percent growth pledged at the Bonn summit. Privately, however, most Japanese officials are less optimistic, forecasting GNP growth slightly in excess of 6 percent. On the foreign side, Tokyo now is officially forecasting a \$13 billion current account surplus for this fiscal year, down from \$14 billion in fiscal 1977.//

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[redacted] //We believe Japanese GNP growth will be only about 5.5 percent this fiscal year. Without a major tax cut, consumer demand will grow by less than 4.5 percent. Surplus capacity and the downturn in exports are likely to hold private investment growth to 5.5 percent, and even with the government loan program, housing construction probably will be up by only 5 percent. As Tokyo recognizes that growth will not reach the 1978 target, the government is likely to opt for a second supplemental budget.

VIETNAM: Pham Van Dong Trip

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[redacted] Vietnamese Premier Pham Van Dong stressed Hanoi's desire to be a good neighbor and downplayed the extent of the USSR's influence over Vietnam during his recent visits to Thailand, the Philippines, and Indonesia, members of the Association of Southeast Asian Nations. Dong's hosts treated him cordially but were careful not to endorse Vietnam's side in its disputes with China and Cambodia.

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[redacted]
[redacted] a joint statement was signed in each capital. In addition to calling for closer economic relations,

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[redacted]

each of the statements asserted that Vietnam would not "directly or indirectly" support subversion in the host country. The Vietnamese pledge received favorable--if somewhat skeptical-- press attention in the three countries; China's unwillingness to make a similar statement was also noted.

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[redacted]

During the trip, Dong repeatedly stressed the independence of Vietnam's foreign policy. There are reports suggesting that some ASEAN officials are suspicious that Hanoi's newly favorable attitude toward them, as well as Dong's trip itself, may have been inspired in part by Moscow.

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BRIEFS

USSR

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[redacted] Soviet Foreign Minister Gromyko broke no new ground in his speech yesterday at the UN General Assembly. He emphasized Soviet efforts in the disarmament field, drawing particular attention to the USSR's recent call for an international convention on security guarantees for non-nuclear states.

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[redacted] On East-West issues, Gromyko asserted that a parity in arms existed and that the USSR "is not going to change this balance in its favor." He went on to criticize alleged

[redacted]

US and Western intransigence at the comprehensive test ban negotiations, the Indian Ocean talks, and the talks on Mutual and Balanced Force Reductions.

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[redacted] Gromyko reserved his harshest comments for the Camp David agreements. He condemned the accords as "an anti-Arab step" and charged that "the campaign of artificial and affected optimism can mislead no one." [redacted] 25X1

West Germany

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[redacted] //West Germany, like several other developed countries, has announced plans to writeoff the official debts of about 30 of the world's poorest nations.//

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[redacted] //Bangladesh, Sudan, Tanzania, and Afghanistan will be the major beneficiaries of the debt cancellation, which amounts to approximately \$2.2 billion. The combined debt-service reduction to the debtor nations will be about \$40 million a year, or 3 percent of their total.//

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[redacted] //The writeoffs will have a minimal economic effect on West Germany but should enhance its reputation for responsiveness to the needs of less developed countries. These countries have been pressing for debt moratoria, most recently at a ministerial conference in Geneva in March of UN Conference on Trade and Development.//

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[redacted] //Thus far the UK, Japan, Canada, the Netherlands, Sweden, and Switzerland have agreed to some form of official debt writeoff. France, Austria, and Denmark are now considering comparable measures. West Germany's writeoff should hasten this movement because it is one of the larger aid donors. 25X1

[redacted]

[redacted]

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Saudi Arabia

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[redacted] Saudi Arabia continues to delay approval of a joint venture with Shell Oil Company that has become a test case for Western cooperation in the country's industrial diversification plans.

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[redacted] The project would be the largest of six petrochemical plants to be built by foreign partners. The plants would use natural gas that is now being flared and would form the core of the major industrial complexes the Saudis envisage.

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[redacted] Negotiations with Shell are more advanced than with the other potential foreign partners but remain stalled over Saudi failure to meet Shell's two basic conditions--assurance of long-term crude oil supplies and confirmation of cost assumptions that will determine profit margins.

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[redacted] The Saudi official most closely involved has apparently lobbied strenuously to get the decisionmaking process moving and may ask Crown Prince Fahd to intervene. The government is already spending heavily on infrastructure that will not be used effectively until the joint ventures begin producing.

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USSR

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[redacted] The USSR is seeking Western help to develop a large gas deposit discovered near Astrakhan on the Caspian Sea. There may be more than one trillion cubic meters of ultimately recoverable gas reserves in the field; Moscow asserts that it will be the largest producing gas field in the USSR by 1990.

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[redacted] The USSR will be unable to tap the new field without Western equipment and technology. Astrakhan gas is said to be among the "dirtiest" in the world because it contains about 25 percent hydrogen sulfide and 25 percent carbon dioxide. Although high-quality and expensive corrosion resistant equipment will be needed to transport and process the gas, developing the field is economically sound because of its large size and proximity to gas-consuming regions.

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[redacted] Moscow is soliciting bids from Western and Japanese firms for a \$100 million desulfurization plant. For the first 60 to 70 development wells, the USSR also needs an additional \$50 million to \$100 million in Western equipment for drill



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[redacted]

pipe, casing, tubing, completion units, field processing facilities, and gathering lines. Plans call for 500 development wells by 1983 or 1984. Moscow is shopping for long-term credits and considering a compensation agreement to finance these purchases.

[redacted] 25X1

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